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ABSTRACT

Because of the Job Training Partnership Act (JTPA) program's strong emphasis on performance, there is a danger that local JTPA programs are neglecting the program's goal of adequately serving those with the greatest problems in obtaining and sustaining employment. A number of JTPA officials at the federal, state, and local levels were interviewed to determine ways in which the JTPA performance standards system can be used to encourage the provision of services to hard-to-employ individuals while still maintaining an emphasis on performance. Two types of policies were determined to be promising: (1) reducing disincentives to serve hard-to-serve persons and (2) providing incentives to encourage increased service to hard-to-serve populations. Policies to reduce disincentives include adding factors to the models for deficiencies and barriers, additional target groups, and adjustments for activities; changing the reward structure for exceeding standards; and providing performance standards exemptions for hard-to-serve individuals. Policies to provide additional incentives include allocating six-percent funds, adding standards and giving extra credit for the hard-to-serve, and providing additional technical assistance. (Reports on the Illinois Pilot Performance Standards Adjustment Models and extra credit for participants with barriers to employment are appended.) (MN)

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Using Performance Management to Encourage Services to Hard-to-Serve Individuals in JTPA

by

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Executive Summary

The Job Training Partnership Act (JTPA) is the nation's major Federal employment and training program. Title II-A of JTPA authorizes programs for economically disadvantaged youth and adults. JTPA emphasizes program performance and the provision of services to individuals with major labor market problems. Because performance is measured by outcomes such as entered employment rates, wages at placement, and the average cost per participant, there is a danger that the strong emphasis on performance can lead to neglect of the goal of adequately serving those with the greatest problems in obtaining and sustaining employment. This report focuses on ways the JTPA performance standards system (i.e., both performance standards and performance incentives that reward good performance) can be used to encourage services to such individuals while still maintaining an emphasis on performance. The report is based on a series of interviews with knowledgeable JTPA officials at the Federal, State, and local levels. The goal of the report is to stimulate consideration of the issues and suggest a number of approaches that can be used to encourage increased services to individuals who may be considered hard-to-serve.

The question of whether the program is adequately serving hard-to-serve individuals is complicated by several factors. First, the statute does not define the term hard-to-serve. Second, there may be problems in measuring the characteristics associated with hard-to-serve status. As a first step, we propose the following definitions to help put the issues in perspective:

Hard-to-serve. This term is used in the report to identify individuals with labor market deficiencies or barriers to employment. The most common deficiencies are thought to be a lack of basic skills, particularly reading skills, and a lack of work experience.

Difficult-to-place. This term, which is not used in the statute, describes groups for whom evidence has shown that SDAs are likely to obtain below average placement rates. Examples include women, welfare recipients, and members of minority groups. The lower placement rates for these groups may result because a disproportionate share are hard-to-serve or because of discrimination in the labor market.

Most in need. Individuals can be considered most in need of services based either on their preprogram level of family income or their responsibilities for supporting a family. The statute does not define this term, and States or service delivery areas (SDAs) may develop their own definition.

Note that we have defined hard-to-serve status on the basis of <u>individual</u> characteristics that are more difficult to define and measure than the group characteristics used to define difficult-to-place status.

The performance standards system in JTPA is one of the key features of JTPA that influences who is served. Performance standards are used to measure the success of individual SDAs, so SDAs interested in demonstrating their success rely on their measured performance. In addition, high and low performance are recognized by awards and sanctions, respectively. Finally,

the Department of Labor has stressed the importance of performance through its regulations and issuances. Thus, the structure of the performance standards system plays an important role in determining who is served.

Most States have adopted performance standards systems based on the optional adjustment models developed by the Department of Labor. These models have been developed to hold SDAs harmless for serving individuals with characteristics associated with higher costs and lower placement rates. While the models help to avoid disincentives for serving the groups that are included (e.g., women, minority groups, dropouts, handicapped, and welfare recipients), the current models do not include measures of labor market deficiencies or barriers to employment that characterize hard-to-serve individuals. In addition, because the models are constructed to hold SDAs harmless for serving individuals in these groups, they do not provide net incentives to serve the hard-to-serve. The report suggests two types of policies that can be made: (1) reducing disincentives to serve the hard-to-serve, and (2) providing incentives to encourage increased service to this population. Policies to reduce disincentives to serve the hard-to-serve include:

Adding factors to the models for deficiencies and barriers. Virtually everyone consulted in the course of this study stated that demographic factors do not adequately measure how hard-to-serve an individual is. There was also a general consensus that the key deficiencies are a lack of reading and math skills and little or no work experience. The Department of Labor has proposed to collect information on basic skills deficiencies on the JTPA Annual Status Report (JASR) for the purpose of adding these factors to the adjustment models. States may wish to consider adding their own adjustments until national models are developed. Model adjustments can also be made for barriers such as a lack of day care and adequate transportation.

Adding additional target groups to the adjustment models. Some States have encouraged services to additional target groups by adding factors to the performance standards adjustment models. Illinois, for example, added offenders, teenage parents, rural clients, and displaced homemakers. However, it should be kept in mind that many people believe that identifying the hard-to-serve on the basis of demographic characteristics is not as useful as measuring the underlying deficiencies and barriers.

Adding adjustments for activities. Hard-to-serve participants are often placed in special remedial programs to improve their basic skills. Until factors measuring such deficiencies are included in the models, States may wish to add factors to the models measuring the proportion of participants enrolled in such special programs. We are not considering here the more general discussion about whether activity factors should be included in the models, but rather only factors for programs targeted on the hard-to-serve.

Changing the reward structure for exceeding standards. States have latitude in the manner in which they reward SDAs for the extent to which they exceed the standards. States that wish to encourage services to the hard-to-serve may wish to place less emphasis in their awards system on the extent to

which standards are exceeded. Some States limit the extra award that an SDA can receive once the standards are exceeded by a specified amount.

The use of Governor's adjustments. Governors are permitted to lower the minimum level of acceptable performance for reasons including encouraging service to hard-to-serve individuals. By reducing the minimum level of acceptable performance, SDAs are less likely to worry about failing to meet the standards when they serve hard-to-serve individuals.

Providing performance standards exemptions for the hard-to-serve. States may wish to encourage SDAs to undertake projects with hard-to-serve individuals by exempting particular projects from performance standards as part of a "Governor's adjustment." This approach should be used with caution because it removes the incentives provided by the performance standards system to focus on outcomes. For untried, innovative programs dealing with especially hard-to-serve clients, it may be necessary to provide strong inducements for SDAs to take risks.

Regional or State modeling. Regions or States can develop their own adjustment models to improve targeting on the hard-to-serve as well as for other purposes. State or regional models such as the ones being developed in Region V can be used to assure that model adjustments reflect conditions specific to the region rather than national averages. Also, by tailoring the data collected, the model can incorporate measures of deficiencies or barriers judged to be important.

Policies to provide additional incentives to serve the hard-to-serve include:

Allocation of six-percent funds. States can use six percent of their allocation for performance awards, providing technical assistance, and for incentive payments for serving hard-to-serve individuals. States that use a greater share of these funds to reward performance and less to encourage services to the hard-to-serve provide a relatively stronger incentive for emphasizing performance over services to the hard-to-serve if other things are equal. To emphasize the use of six-percent funds for the hard-to-serve, States should clearly specify what awards will be made for various levels of services to the target groups.

Adding standards for the hard-to-serve. A clear way for a State to stress interest in the hard-to-serve is to add one or more standards. These standards can relate to service levels and/or outcomes. At least two States have added standards that require SDAs to meet service levels and to achieve adequate entered employment rates for the target groups to qualify for certain financial awards.

Giving extra credit for the hard-to-serve. An interesting approach that to our knowledge has not yet been tried is for States to give extra credit in computing performance scores for placing individuals designated as being hard-to-serve. For example, in computing an SDA's entered employment rate the SDA could receive credit for 1.5 or 2 placements for each hard-to-serve participant that terminates with a job. A major advantage of this approach

is that SDAs would have strong incentives to place hard-to-serve individuals as well as to serve them. The major problem with this approach is that it involves keeping two sets of records-- one set to report who was served and another for computing performance scores.

Modifying factor weights for hard-to-serve groups. States may wish to change the weights to give an extra incentive to serve individuals with particular characteristics. If, for example, a State made the weight for welfare recipients in the entered employment rate model more negative, SDAs might be willing to serve more welfare recipients because they would receive a bigger break in their expected performance.

Providing technical assistance for encouraging services to the hard-to-serve. One use of a State's six-percent funds is to provide technical assistance to SDAs. Technical assistance can be used to explain the State's priorities for the hard-to-serve and to make sure that SDAs understand the incentives the State has provided. Such assistance will be especially helpful when a State has adopted a policy that has not been widely used in the past. States are permitted to provide "preventative" technical assistance for program improvement, so a State interested in encouraging services for the hard-to-serve need not wait until a problem develops.

The approaches described above are not mutually exclusive. States could select a number of the suggestions to meet their policy objectives. The Department of Labor has announced that increasing services to the hard-to-serve is one of its primary goals for JTPA in the upcoming program year. Because the performance standards system has a major influence on who is served, it is important for the National Office, the States, and SDAs to assess whether the performance standards system promotes the goals of the program. Officials at all levels should consider the proposals mentioned above and determine if one or more of them might be used to help promote their policies.

I. Introduction

In October 1983 the Job Training Partnership Act (JTPA) began operation as the country's major employment and training program. JTPA replaced the training programs operated under the Comprehensive Employment and Training Act of 1973 (CETA), and JTPA was more than simply a change in name only. In addition to shifting a major part of the administrative responsibilities from the Federal to the State level of government, JTPA also greatly emphasized performance of the programs by including provisions for rewards and sanctions for local service delivery areas (SDAs) that exceed or fail to meet performance standards established by the Secretary of Labor as modified by the Governor.

The increased emphasis in JTPA on performance, as measured primarily by the quality and quantity of placements, has led to concern that JTPA is not adequately serving those with the greatest needs for employment and training programs. Frequently, the program is accused of "creaming" among the eligibles, although the term creaming is rarely concisely defined.[1] The concern generally has been that the service delivery areas (SDAs) have concentrated their services on eligible individuals who are most likely to succeed in the labor market regardless of whether or not they participate in the program. If true, this assertion means that some eligible individuals who could benefit from JTPA are being denied access to the program, in favor of individuals who need the program less and may benefit less from the program.

At the same time, few if any members of the employment and training community wish to return to the days when success was measured almost exclusively by who was served rather than by the effectiveness of the

programs. Although the concept of measuring program performance on the basis of outcomes was used to some extent in the later years of the CETA program, it is an integral part of JTPA.

This report has been prepared to help States, SDAs, private industry councils (PICs), service providers, and others interested in employment and training issues explore how target groups of interest can be identified and how the performance standards system can be used to encourage the enrollment of hard-to-serve individuals. The term hard-to-serve will be used to refer to individuals with especially severe deficiencies or barriers that are likely to make them more costly to serve and less likely to find and retain employment. Examples of such deficiencies include low reading and math capabilities, and little or no work experience. One of the people we spoke with suggested that deficiencies be classified in four categories: basic skills (reading and math), job-specific skills (occupational skills), work-related skills (e.g., attitudes, appearance, and punctuality), and job search skills. Examples of barriers to employment include lack of day care and lack of transportation,

We distinguish the concept of being hard-to-serve from the related concept of being "difficult-to-place," even though these concepts are often used interchangeably. Difficult-to-place individuals are defined here as individuals in demographic groups that SDAs have generally had greater problems placing. For example, older workers, members of minority groups, and women do not necessarily have deficiencies that make them hard-to-serve, but JTPA and CETA experience shows that members of these groups are difficult-to-place.

In theory there is not necessarily a conflict between the goals of

enrolling the hard-to-serve and encouraging effective programs. In practical terms, however, these two program objectives can come into conflict. By definition SDAs take risks when they enroll hard-to-serve individuals, and if the performance standards system does not include adequate adjustments in the level of expected performance for serving these individuals, SDAs face a tradeoff between enrolling the hard-to-serve and achieving a high level of measured performance. Low performance can result in losing performance standards awards and, in extreme cases, in sanctions against the SDA.

In the current JTPA performance standards system there are significant costs and other difficulties in trying to develop objective statistical adjustment formulas to make the system neutral regarding serving individuals with severe labor market problems. The regression modeling approach can correct for a limited number of factors, but some of the factors of interest may be very difficult and expensive to measure and collect. For example, measuring work attitudes is likely to be difficult or impossible.

Finally, it is worth reconsidering the tradeoff between program efficiency and equity of services.[2] The current performance standards system is based largely on the premise that the performance standards adjustments should hold SDAs harmless for serving individuals with severe labor market problems. Lowering standards for the hard-to-serve might provide a sufficient extra incentive, but some PIC officials and others may be more concerned about the lower level of performance without taking account of adjustments for serving hard-to-serve individuals. In addition, consideration should be given to structuring the performance standards system so that SDAs are provided extra credit rather than held harmless for

serving individuals with severe labor market barriers.

This guide is intended to help explore these issues. The material presented here is based on discussions with a number of representatives from the Federal Government, State Governments, SDAs, PICs, academic institutions, and others interested in employment and training programs. The ideas presented do not necessarily represent the positions of the National Commission for Employment Policy or the U.S. Department of Labor unless so indicated; in fact, in the interest of stimulating consideration of a variety of ideas, we have raised some ideas that are not supported by the Department of Labor. The intent is to stimulate thought and consideration of alternative definitions and policies regarding the hard-to-serve for State, SDA, and national officials involved in developing and implementing Title II-A JTPA programs and policies for economically disadvantaged youth and adults.

The reader should keep in mind the limitations of this study. First, this guide focuses on performance standards and the use of JTPA six-percent incentive funds as they relate to hard-to-serve individuals. Other features of JTPA also affect the extent and types of services provided, but such issues are not addressed here. For example, the statutory limits on stipends and administrative costs may affect who is served and the nature of services provided, but we will not address these issues here. A second limitation of this study is that we have focused more on adults than youth. Many if not all of the issues discussed here apply to youth as well as adults, but we have not addressed the special difficulties faced in serving youth.

It should also be kept in mind that the effort involved in producing

this guide was an informal assessment of the views of a number of experts in the employment and training field. It was not a large-scale investigation of the relationship between performance standards and who is served under JTPA. Because the current study is based on a nonrandom sample of experts, the findings may not be representative of the JTPA system as a whole.

The next section of the guide presents a brief review of the performance standards system in JTPA. Section III discusses the concept "hard-to-serve" and distinguishes it from other targeting issues; this section also provides the views of a number of individuals in the JTPA system on operational and theoretical considerations involved in defining the concept hard-to-serve. Section IV of the report describes methods that have been used and others that might be considered in promoting services to hard-to-serve clients. Finally, Section V presents a summary of the findings and conclusions.

II- Performance Standards in JTPA

This sections provides a brief overview of performance standards in JTPA. The section provides a brief description of performance measures, the methodology used to develop the performance standards, and the requirements for issuing awards or sanctions determined by performance standards.

Performance Measures

JTPA differs from its predecessor, CETA, in that there is a strong emphasis on performance outcomes. The law indicates the importance of being able to measure return on the investment of JTPA in Section 106:

> ...it is essential that criteria for measuring the return on this investment be developed and...the basic measures of performance for

adult training programs under title II is increase in employment and earnings and the reductions in welfare dependency resulting from the participation in the program. In order to determine whether these basic measures are achieved, the Secretary shall prescribe standards on the basis of appropriate factors which may include (A) placement in unsubsidized employment, (B) retention in unsubsidized employment, (C) the increase in earnings, including hourly wages, and (D) reduction in the number of individuals and families receiving cash welfare payments and the amounts of such payments.

As a result of the language in the law, seven performance measures (four for adults, three for youth) have been developed. The measures and the national standards for PY 84-PY 85 and PY 86-PY 87 are listed below.

NATIONAL STANDARDS	PY 84-PY 85	PY 86-PY 87
ADULTS		
Entered Employment Rate	55%	63%
Average Wage at Placement	$4.91	$4.91
Cost per Entered Employment	$5704	$4374
Welfare Entered Employment Rate	39%	51%
YOUTH		
Entered Employment Rate	41%	43%
Positive Termination Rate	82%	75%
Cost per Positive Termination	$4900	$4900

The Department of Labor is currently collecting data on postprogram outcomes and is considering issuing postprogram standards.

National standards are set by the Department of Labor and are based on SDA performance and national policies. Governors can adjust the standards based on local factors. Application of performance standards can be broadly described as a three stage process:

1. Establishment of uniform measures and national performance standards by the Department of Labor;

2. Establishment of additional standards by the Governor if desired and optional adjustment of standards using adjustment models developed by the Department of Labor for variations in local factors, terminee characteristics, and length of services (for cost measures) or other

appropriate adjustment procedures developed by the Governor; and

3. The determination of whether the given SDA displayed superior, expected, or substandard performance and providing the appropriate bonuses, technical assistance, or sanctions.

National Performance Standards

The Secretary of Labor sets national performance standards. The standards cannot be modified more than once every two program years, and the modifications cannot be retroactive. The performance standards for the initial year of JTPA (known as the transition year) were based on CETA data. The performance of the CETA program was also used as a guide for setting PY 1984 and PY 1985 standards since no JTPA data were available. PY 1986 and PY 1987 are the first years for which standards were based on actual JTPA data.

Adjustments by the Governor

Although establishing the national standards is the first step in the performance standards process, the step that affects SDAs most directly is the Governor's adjustment. Section 106(e) of the law states:

> ...Each Governor may prescribe, within parameters established by the Secretary, variations in the standards under this subsection based upon specific economic, geographic, and demographic factors in the State and in service delivery areas within the State, the characteristics of the population to be served, and the type of services to be provided.

Basically, a Governor has four options for setting local performance standards:

1. Make no adjustment and use the national standards;

2. Use the regression based adjustment model as provided by the Department of Labor;

3. Use the regression based model provided by the Department and make further adjustments for factors unique to a given State or SDA; or

4. Develop alternative adjustment procedures consistent with the Secretary of Labor's prescribed parameters.

Governors may also add additional performance measures to the ones issued by the Department of Labor.

The regression models developed by the Department attempt to estimate the relationship between relevant factors (i.e., economic and geographic factors in the State, characteristics of the population to be served, and types of services to be provided) and their expected effect on the performance measures. Governors also have the option of developing their own adjustment procedures, but such adjustment procedures must adhere to a set of parameters established by the Secretary.[3]

Incentives and Sanctions

In order to reinforce the goal of high performance in the JTPA program, six percent of the Title II-A funds are allocated to the States to provide performance awards, incentives for serving hard-to-serve groups, and technical assistance to SDAs. It is the responsibility of the Governor to develop an awards system for the State, and a wide variety of systems have been developed. For example, an SDA may be required to meet a certain number of the seven standards or a specific standard to be eligible for a reward. Most States award money in proportion to the degree by which a given SDA exceeded the standard, as is specified in the statute. The awards can be presented in a variety of ways, including a bonus to the SDA to be used specifically for encouraging services to the hard-to-serve.

A portion of the six-percent funds may be set aside to provide

technical assistance for SDAs that have difficulty meeting the performance standards. An SDA that fails to meet performance standards for two consecutive years will be reorganized at the discretion of the Governor.

III- Defining the Hard-to-Serve and Other Targeting Issues

Because employment and training programs have never been able to serve more than a small fraction of the individuals who could potentially benefit from the programs, an important issue under all major employment and training programs has been how much the program should be targeted and on what criteria. In addition, once eligibility criteria are established, a decision must be made on whether preference should be given to serving certain categories of eligible individuals. In this section we first discuss references to targeting in the statute and summarize the criteria that may be used in selecting target groups. We then discuss the Department of Labor's regression adjustment models as a means of encouraging services to hard-to-serve groups. Next we consider additional actions taken by several States to encourage services to the hard-to-serve, and finally we discuss the findings from a performance standards task force on defining the hard-to-serve population in JTPA.

Statutory Provisions on Targeting

Participation in programs sponsored under Title II-A of JTPA is largely limited to individuals who meet the statutory requirements for being classified as economically disadvantaged. While there are five criteria in the statute for meeting the definition of economically disadvantaged, most individuals are eligible because they meet one of the two poverty

definitions and/or are recipients of cash welfare payments or food stamps.[4] While some individuals whose family income exceeds 125 percent of the poverty level will be eligible because they are recipients of food stamps, it is important to bear in mind that the eligibility requirements under JTPA are fairly strict. The only exception to the standard eligibility requirements is that up to 10 percent of the participants enrolled by an SDA are not required to meet the economically disadvantaged requirement if they have some other barrier to employment.[5] Thus, when concern is expressed about SDAs creaming or serving those who are not most in need, it is important to note that almost all individuals eligible for JTPA are economically disadvantaged and that any selection taking place is among those that are economically disadvantaged.

Only a fraction of those eligible for JTPA can be served in a given year. Sandell and Rupp (1987) have recently estimated that 12.9 percent of the eligible unemployed individuals between the ages of 16 and 64 were served in Program Year 1985 (July 1, 1985 - June 30, 1986).[6] The statute provides flexibility for SDAs to determine which individuals to serve, but there are several requirements for serving particular groups, and States can provide further direction to the SDAs.

The most specific requirement in the statute for serving particular individuals is the requirement in Section 203 that at least 40 percent of the Title II-A funds be spent on youth ages 16 to 21.[7] Section 203 also requires that recipients of Aid to Families with Dependent Children (AFDC) and dropouts be served on an equitable basis.

Several other provisions in JTPA also make reference to the types of individuals to be served, but these other references provide less specific

directions. Section 141(a) of JTPA states that job training plans are to provide opportunities "to those who can benefit from, and who are most in need of, such opportunities." Most in need can be thought of as those who will fare the worst in the labor market if not provided training. Most in need can also be defined in terms of having greater financial responsibilities. Thus, some SDAs, such as the PIC of Southern Connecticut, consider heads of households and teenage parents to be most in need. Note, however, that the statute also indicates that services should be provided to those who can benefit from the training. Section 141(a) also indicates that job training plans are to make efforts to provide equitable services among substantial segments of the population.

States are permitted to use their six-percent funds to provide incentive payments to SDAs for serving hard-to-serve individuals as well as awards for exceeding performance standards and for technical assistance. This provision does not require that the hard-to-serve incentive funds be tied to performance on the State's performance measures, but as will be described below, some States have elected to base the hard-to-serve incentive funds at least partly on the basis of performance.

The statute does not define the terms "hard-to-serve" and "most in need." The two terms are sometimes used interchangeably, but we shall use the term hard-to-serve to refer to individuals with severe labor market deficiencies or barriers. Youth who exhibit symptoms of labor market problems are sometimes referred to as being "at risk." Because of their lack of experience, the most disadvantaged youth are generally classified by their likelihood of experiencing employment problems in the future, rather than by their labor force history.

The reference in Section 141(a) to serving those who can benefit from the program recognizes and points to the limitations of JTPA. Given the funding level for JTPA and the statutory provisions restricting stipends and supportive services, JTPA clearly cannot provide major employment and earnings gains to all individuals who are eligible for the program. Some individuals may simply need too much remediation for JTPA to be of much help.

Some observers have described the role in selecting participants for JTPA to be similar to the triage performed by doctors on a battlefield.[8] Some individuals cannot be helped because JTPA is unable to provide sufficient resources for them; totally illiterate individuals are sometimes considered to be in this category. At the other extreme are those individuals who are eligible for the program but are likely to perform adequately in the labor market on their own; these people are analogous to the injured with minor wounds who will recover on their own. Finally, the group in the middle, those whose problems are serious but not so serious that they cannot be helped, is the appropriate target group for JTPA. These are the individuals who are in need of services and who can benefit from the services. An important issue for States and SDAs is deciding where to draw the line on who is too seriously disadvantaged to be helped by the program. While in theory there is no reason why a person who is totally illiterate cannot be served in JTPA, budget constraints, cost performance standards, and a desire to serve a large number of people have led some members of the employment and training community to argue that JTPA simply cannot serve individuals with no reading or math skills.

An important issue, which cannot be considered in depth at this time,

is the relationship between hard-to-serve status, performance standards, and program impact. An experiment to determine the net impact of JTPA is being conducted by the Department of Labor in 15 to 20 SDAs; however, impact estimates for JTPA will not be available for at least three years. In addition, the results may not apply to all SDAs or relate impact to measures of the deficiencies associated with hard-to-serve status.[9]

Summary of Targeting Issues in JTPA

At this point it is useful to summarize the terms relating to targeting that are found in the statute or are helpful in sorting out targeting issues in JTPA. The definitions provided below are not official Department of Labor definitions, but they should prove useful in discussing performance standards and the hard-to-serve.

Hard-to-serve. We will use this term to identify individuals with labor market deficiencies or barriers to employment. As is discussed more below, the most common deficiencies are thought to be a lack of basic skills, particularly reading skills. Such individuals are likely to require more intensive or longer-term services, and the probability of success may be lower.

Difficult-to-place. This term will be used to describe groups for whom evidence has shown that SDAs are likely to experience problems in obtaining placements, particularly in well-paying jobs. Examples include the demographic groups with negative weights in the Department of Labor's regression adjustment models such as women, minorities, and welfare recipients. The lower placement rates for these groups may result because a disproportionate share are hard-to-serve or because of discrimination in the labor market.

Most in need. Individuals may be considered to be among those most in need based either on their preprogram level of family income or their responsibilities for supporting a family. The determination of a precise definition can be made at the State or SDA level.

Equitable provision of services (EPS) groups. The statute requires that services be provided equitably to dropouts and AFDC recipients, and that efforts be made to serve "substantial segments of the population" equitably, without defining the substantial segments. States and SDAs must develop policies on which groups they consider important for meeting this provision.

Note that the EPS provision does not necessarily include only groups that are difficult-to-place.

At Risk youth. This term is used to describe youth who are in danger of experiencing employment problems. The term is usually defined by States and SDAs to include dropouts, potential dropouts, and youth who have already exhibited some signs of developing labor market problems, e.g., teen parents, substance abusers, and offenders.

There are some interesting differences in the terms presented above. Note that hard-to-serve refers to characteristics of an individual, but difficult-to-place refers to characteristics of a group. Individuals who are most in need may or may not also be difficult-to-place or hard-to-serve, but hard-to-serve individuals will almost always be difficult-to-place. Also, there may be conflicts in trying to target on all the groups mentioned above. If a State or SDA interprets the EPS provision as meaning proportional representation of all significant segments, this may conflict with providing special attention to those most in need or hard-to-serve.

Although it is possible to develop national definitions for the concepts listed above, it is not necessary. Regardless of whether or not national definitions are established, States and SDAs need to establish their own working definitions and policies to set priorities and negotiate the development of appropriate standards and adjustments, particularly if State and SDA priorities differ.

For purposes of the performance standards system, the key factors to identify for adjustment models are those that characterize hard-to-serve and difficult-to-place status. Indicators of being in either status should be included in the models to hold SDAs harmless for serving individuals with such characteristics.

The Department of Labor's Adjustment Models and Their Limitations

The Department of Labor's regression adjustment models, which form the basis for most States' performance standards systems, were developed to hold SDAs harmless for serving individuals who are difficult-to-place or hard-to-serve. The factors included in the models represent terminee characteristics and local economic conditions that are associated with the performance measures. The factors and models have been developed through an extensive consultative process, and the factors that are included represent those variables that have a statistically significant effect on the outcome and cost measures.

The terminee factors in the models should, ideally, include all factors that affect the performance measures. To the extent that characteristics such as sex, race,and ethnic group are associated with lower entered employment rates and wage rates at placement and higher costs of services, individuals with these characteristics can be considered difficult-to-place relative to participants with different characteristics. For example, the negative weights in the adult entered employment rate model for females indicates that females are more difficult-to-place than males. If the models are correctly specified, then SDAs will be held harmless in their performance standards for serving individuals who are likely to have lower probabilities of finding a job after participation, lower expected wage rates, and higher than average costs of services.

The tradeoffs implied by the regression adjustment models are not always easy to see. To illustrate these tradeoffs, we will consider an example using the PY 1987 model for the adult entered employment rate. Exhibit 1 contains a sample worksheet for this model from the 1987

Exhibit 1

S A M P L E

PY 87 JTPA Performance Standards Worksheet			A. Service Delivery Area's Name	B. SDA Number
C. Performance Period PY 87	D. Type of Standard [ ] Plan [ ] Recalculated	Date Calculated _____	E. Performance Measure Entered Employment Rate (Adult)	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. NATIONAL AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS, (I TIMES J)
1. % Female	59.0	52.8	6.2	- .020	- .12
2. % Black	45.5	23.8	21.7	- .081	- 1.76
3. % Hispanic	15.0	7.9	7.1	- .009	- .06
4. % Asian/Pacific Islander	5.1	2.4	2.7	- .022	- .06
5. % Dropout	30.2	25.0	5.2	- .175	- .91
6. % Handicapped	11.4	9.1	2.3	- .093	- .21
7. % UC Claimant	11.1	10.9	.2	.044	.009
8. % Welfare Recipient	42.0	29.8	12.2	- .276	- 3.37
9. Unemployment Rate	9.0	8.0	1.0	- .623	- .62
10. Population Density (1000s/sq.m.)	7.0	0.6	6.4	.771	4.93
11. Employee/Resident Worker Ratio	101.9	97.8	4.1	- .078	- .32
12. Average Annual Earnings in Wholesale and Retail Trade (000)	11.3	11.8	- .5	- .463	.23
			L. Total		- 2.26
			M. NATIONAL DEPARTURE POINT		+ 62.4
			N. Model-Adjusted Performance Level (L + M)		60.1
			O. Governor's Adjustment		
			P. SDA Performance Standard		

(12-19-86)

Department of Labor Technical Assistance Guide (TAG). In the sample worksheet, the SDA's model-adjusted performance level is 60.1 percent, assuming that there is no Governor's adjustment. This would be the SDA's performance standard based on the clients it serves and its local economic conditions if the Governor makes no additional adjustments to the model.

To see how the model holds the SDA harmless for changes in its clients' characteristics, consider what happens to the standard if the SDA serves 100 percent welfare clients. In that case, the SDA factor value in Line 8 would be 100, and the model-adjusted performance level would be 44.1 percent. (This calculation assumes that none of the other client characteristics change; this is obviously unrealistic but it does not affect the basic point.) On the other hand, if the SDA served no welfare recipients (and again kept all other characteristics the same), the model-adjusted performance level would be 71.7 percent. Put another way, the model-adjusted entered employment rate performance level for this SDA is a weighted average of the 44.1 percent for welfare recipients and 71.7 percent for individuals not on welfare. Since this result is clearly not obvious from looking at the factor weight of -.276, SDAs should compute their model-adjusted performance levels under different assumptions about client mix. Many States provide computer disks for SDAs to simulate their performance standards with different client mixes.

The regression model adjustment procedure is clearly one method of attempting to avoid penalizing SDAs for serving clients with labor market problems. The models have several limitations, and the Department of Labor has encouraged States to consider additional adjustments.

The major problem with the adjustment models is that they do not

include all factors that affect the performance measures. Anyone familiar with employment and training programs recognizes that the brief list of demographic and labor market experience characteristics in the models could easily be supplemented. Omitting relevant factors from the models has two important effects. First, the implied weight of any factor not included in the model is zero. For example, if the entered employment rate is expected to be lower for felons and no variable is included in the model for percent of terminees who are felons, SDAs will not be held harmless for serving felons. Second, when factors that belong in the model are omitted, the estimated weights of included factors that are correlated with the omitted factors are biased. For example, if the variable for percent welfare recipients were omitted from the model, the estimated weight for percent females served would be biased. The likely effect would be to lower model-adjusted performance for women in general and to underadjust for providing services to welfare recipients. SDAs would have an incentive to overserve nonwelfare women and to underserve welfare women.

SDAs interested in maximizing their measured performance might respond by underserving individuals with characteristics associated with low performance but not included in the adjustment models. Thus, one possible reason that the estimated weights in the regression adjustment models have become smaller in successive years is that SDAs have become more adept at selecting participants on the basis of factors that are omitted from the models.

There are a number of reasons why not all relevant factors are included in the regression adjustment models. First, there is not a consensus as to what all the relevant factors are. Second, there are both

practical and statistical reasons to limit the number of factors included in the models. On the practical side, adding additional factors would add to the data collection burden for SDAs and make the required computations more complex. Statistical problems might result when factors are added because if several factors are highly correlated, then the individual weights may be less precise and change significantly from year to year. Major changes in the weights affect the incentives to SDAs and makes the system less stable. A third problem with adding more factors is that some factors may be difficult or impossible to measure.[10] Some factors, such as work attitudes, are very hard to define, and no good measures are currently available.

There are several other limitations to the regression adjustment models. For example, it is possible that the factors and weights may vary by region, and it is possible that the models should include "interaction terms" (products of two or more variables).[11] These issues have been explored by the States in Region V, and their preliminary results are reported below.

The factors included in the current set of Department of Labor adjustment models include a number of difficult-to-place factors, but few factors that could be considered to measure hard-to-serve status. In particular, there are no indicators of basic skills deficiencies or lack of work experience, which many observers believe are the key deficiencies that make a person hard-to-serve. The Department of Labor recognizes these limitations, and for PY 1988 the Department of Labor has proposed collecting information in the JTPA Annual Status Report (JASR) on long-term welfare status, minimal work experience, and reading level deficiencies, which are all potential measures of labor market deficiencies.

The Department of Labor's 1987 Technical Assistance Guide includes instructions on how States can add additional factors for making adjustments to their performance standards. The TAG recognizes that in some instances adjustments are acceptable without full knowledge of the extent to which performance is expected to be affected by serving individuals with certain characteristics. In such circumstances the TAG recommends using a reasonable estimate until data can be collected.

State Policies on Defining the Hard-to-Serve

States have several options available to promote the provision of services to groups that they consider hard-to-serve. It is important to recognize that simply designating a group as hard-to-serve does not necessarily assure that incentives will be provided to serve members of the designated group, and incentives can be provided to serve groups that are not formally designated as being hard-to-serve. For example, if the State sets aside a very small pool of funds for serving the designated groups, the incentive will be quite weak. On the other hand, States can undertake several actions to encourage services to particular groups without formally designating them as hard-to-serve. Increasing the size of the weights in the models for specific groups, e.g., minorities, directly changes the incentives for serving these groups, but such changes are not encouraged by the Department of Labor and have been used sparingly.

The strength of incentives to serve designated target groups is a function of the amount of funds that can be gained by SDAs for serving these groups and the difficulty in meeting the award criteria. It is important to keep in mind that because most of the Title II-A JTPA funds, 78 percent, are

distributed by formula to the SDAs, States may have a greater impact on SDA behavior by influencing how the 78-percent funds are spent than on how the six-percent funds are spent.

The State of Wisconsin conducted a survey of 20 States in 1986 to assist the State in establishing its six-percent policies. As part of the survey, the Wisconsin researchers determined which States had established "incentive payment formulas" for serving designated hard-to-serve groups. A summary of their findings is provided in Exhibit 2. The groups designated as hard-to-serve include welfare recipients or specific categories of welfare recipients (4 States), dropouts (3 States), minorities (3 States), females (2 States), older workers (1 State), and handicapped workers (1 State). Some States did not designate any groups as hard-to-serve, and Wisconsin designated all six groups listed above as hard-to-serve.

As we noted above, concern has been growing in the employment and training community that many of these variables, while useful for encouraging services to difficult-to-place groups, do not capture the deficiencies that make individuals hard-to-serve. That is, the lower entered employment rates and wages at termination for minority group members and females may in part reflect deficiencies and barriers disproportionately faced by members of these groups.[12] Several States have recently taken actions to go beyond the common demographic and other traditional measures to get improved measures of hard-to-serve status. We will review the recent efforts of three such States, Michigan, Colorado, and Illinois, here.

The Michigan Job Training Coordinating Council (MJTCC) established a Hard-to-Serve Task Force to "study options that address the training needs of hard-to-serve persons and to develop recommendations that enhance their

Exhibit 2
Groups Designated as Hard-to-serve in Wisconsin Survey of 20 States

Welfare Recipients
- Arizona
- Indiana
- Pennsylvania
- Wisconsin

Dropouts
- Indiana
- Massachusetts
- Wisconsin

Minorities
- Kansas
- Massachusetts
- Wisconsin

Females
- Kansas
- Wisconsin

Older Workers
- Wisconsin

Handicapped Workers
- Wisconsin

entry into the labor force." The MJTCC's definition of hard-to-serve status required that an individual be a dropout, a teenage parent, an offender, or have a drug/alcohol problem and either meet another of the foregoing criteria or be one of the following: a youth, a public assistance recipient, handicapped, a displaced homemaker, a member of a minority group, a person with limited English proficiency, an older worker, a person with no work experience, or a person unemployed for longer than one year.

The Michigan task force concluded that the MJTCC definition was confusing because of its complexity, and they did not agree with the categorical nature of the definition. Their concern with the categorical nature of the definition was that the definition did not relate to the specific labor market problems faced by the individuals in question and, therefore, was not useful in developing specific employment and training programs for such individuals. The task force recommended that four principles be used in developing a definition of hard-to-serve:

1. The definition should be inclusive rather than exclusive; that is, individuals who are unemployed and experiencing multiple barriers to entry into the labor market should be eligible for special services.

2. The definition should be functional, apply across programs, and lead to measurable outcomes.

3. The definition should recognize that employment and training programs for the hard-to-serve generally will last longer and will be more costly than typical programs.

4. Functional illiteracy should be identified as one of the major barriers to employing the hard-to-serve and should be reflected in the definition.

Based on these principles, the Michigan task force recommended the following definition for hard-to-serve:

> A person shall be considered "hard-to-serve" who is economically disadvantaged; unemployed for two or more years or never

> been employed; in need of functional literacy or employability characteristics or supportive services; and whose employability development plan states that the length of time or cost of training leading to employment exceeds that received by the average person enrolled in a designated area.

The Michigan task force's proposed definition of hard-to-serve differs significantly from definitions based on demographic and other categorical characteristics. Basing the definition on the quantity of services to be provided could be questioned because it permits providers to define hard-to-serve status on services received rather than need, but the strict lack of employment criterion assures that only individuals with strong needs will be included.

Colorado used an interesting approach in PY 1984 and PY 1985 to encourage SDAs to serve groups of interest while maintaining local flexibility. The State established six target groups of interest and required that SDAs meet entered employment rate standards for two groups (dropouts and offenders). For the other six groups (displaced homemakers, AFDC recipients, handicapped, teenage parents, dislocated workers, and older workers), SDAs had to meet standards for any two of the six groups. Because the populations and priorities often vary within a particular State, Colorado's approach of providing some flexibility may be useful for other States to consider.

Illinois, along with the other States in Region V, has been engaged in a major effort to refine the regression adjustment models. The Region V States retained Northern Illinois University (NIU) to assist them in developing regional and State models making use of individual as well as SDA-level data. Each of the States in the region has worked with NIU to develop State-level and regional models. At this time, Illinois is the only

State that has developed final models. The Illinois models are to be tested and refined during PY 1987, with implementation anticipated in PY 1988.

The Illinois effort was directed toward improving the adjustment models in several ways; improving services to hard-to-serve clients was only one of the goals. Of particular concern to Illinois is the omission of activity variables, e.g., type of classroom training and long-term training, in the Department of Labor adjustment models. The Illinois staff and NIU researchers believe that individuals who are hard-to-serve often require long-term training and reading and math remediation, and that the omission of these factors from the Department of Labor models discourages services to individuals who need these services. Thus, the Illinois models include activity variables; as expected, the activities that are used primarily for individuals with the greatest deficiencies (e.g., classroom training greater than 26 weeks) have negative weights.

The counter-argument to this position is that activity assignment is a management decision; SDAs should assign people to whatever activity is most helpful for them. By including activities in the models, SDAs might begin assigning individuals who do not require extensive remediation to these activities simply to lower their model-adjusted performance standard. According to the counter-argument, the better way to provide incentives for serving those with severe deficiencies and barriers is to include better measures of hard-to-serve status in the models.

The Illinois models also include several additional categories of clients in various models. These categories are offenders, displaced homemakers, rural clients, and teen parents. The Illinois models are included as Appendix 1 to this report.

Findings of the DOL Hard-to-Serve Task Force

Improving targeting to hard-to-serve individuals is one of the priorities of the Department of Labor for developing performance standards in PY 1988. The Department of Labor established a Hard-to-Serve Task Force as part of the Performance Standards Technical Work Group to assist the Department in analyzing the attributes of the hard-to-serve population. The task force was co-chaired by Dr. Linda Odum and Mary Reid of Virginia and included representatives from New York, Wisconsin, California, and Massachusetts. Because of the tight schedule for the performance standards development process, the task force was required to complete its work within one month. Members of the task force used a variety of techniques to gather information. Some discussed the issues with their colleagues in the State, while others conducted surveys of SDAs and contractors in their States. The Massachusetts representative sent a mail survey to SDAs in the New England region. The members of the task force sent their findings to Dr. Odum and Ms. Reid, and they prepared a summary of the findings.

Task force members were asked to provide information that could be used to define hard-to-serve status. They were asked to categorize the characteristics as either deficiencies or barriers. The term deficiencies refers to characteristics of individuals that are expected to impede their labor market success; examples include lack of vocational skills and illiteracy. Barriers refer to environmental characteristics that hinder success in the labor market; examples of barriers include a lack of transportation and lack of child care. Many of the respondents did not differentiate between barriers and deficiencies. Also, many respondents

included target groups that are difficult-to-place in their responses.

As might be expected in such an effort, there was a wide range of responses. The most common responses, as summarized by Dr. Odum, were:

- Low reading level
- Low math level
- No or minimal work history
- Lack of daycare
- Ex-offenders
- Long-term welfare recipients
- Lack of public and private transportation
- Handicap (physical, mental, or emotional)
- Substance abuse
- Poor attitudes
- Parent (single, female, or teen) with child under six

We have analyzed the responses and categorized them as deficiencies, barriers, or target groups. In some cases, we may have considered a characteristic a deficiency where others might classify it as a barrier and vice versa. A complete listing of the characteristics of the hard-to-serve identified by the task force is provided in Exhibit 3.

Some interesting patterns emerged from the task force report. First, although respondents were not asked to identify target groups, most respondents listed at least one target group, and five target groups were among the most commonly cited characteristics. In addition, the target groups taken together probably account for a majority of JTPA participants. A definition of hard-to-serve that includes most JTPA participants does not accomplish the goal of focusing on the most disadvantaged clients.

The deficiencies in the list cover a variety of problems that are likely to affect labor market success. One respondent suggested that the deficiencies could be classified in three categories: employability, trainability, and dependability. One of the people we spoke with suggested that the deficiencies be classified in four categories: basic skills

Exhibit 3

Characteristics of the Hard-to-Serve Population Identified by the Department of Labor Task Force

Deficiencies	Barriers	Target Groups
Low reading level*	Transportation (public or private)*	Ex-Offenders*
Low math level*	Day care*	Long-term welfare*
No or little work experience*	Low income	Handicap (physical, mental, emotional)*
Bad attitudes*	Lack of credentials	Substance abuse*
Lack of good counsel	Excessive employer demands	Parents with children under 6*
Lack of hope	Geographic isolation	Youth
Health problems	No telephone	Minorities
Lack of work skills		Older workers
Long-term unemployment		Veterans
Lack of communication skills		Displaced homemakers
Lack of interpersonal skills		More than 3 children
Limited English		Learning Disabled
Lack of problem-solving skills		Homeless
Poor work ethic		Head of household
Unrealistic job expectations		Battered women
Work readiness skills		
Poor appearance		

Note: * indicates most common characteristics identified. Other characteristics were listed by one or more respondents.

Source: ICF analysis of Department of Labor Hard-to-Serve Task Force Report.

(reading and math), job-specific skills (occupational skills), work-related skills (e.g., attitudes, appearance, and punctuality), and job search skills.

The PIC of Southern Connecticut provided the task force with a scoring system it uses to rank clients on their hard-to-serve status, and a copy of this scoring system is provided in Exhibit 4. When they had more applicants than they could serve, they used the scoring system to ration slots. Note that in this instance the PIC placed heavy emphasis on most-in-need measures such as head of household and teenage parent; an alternative scoring system could be devised to emphasize the hard-to-serve.

Several respondents objected to the concept of developing a national definition of hard-to-serve even though the Department of Labor has not proposed developing such a definition. One argument is that setting target group priorities should be at the local level. Another point raised was that designating some individuals as hard-to-serve implies that the other participants are somehow easy to serve; once particular groups are designated as hard-to-serve, charges of creaming might increase. Some respondents also noted that decisions on which groups would be classified as hard-to-serve would be made on a political basis rather than on the basis of need. One of the individuals opposed to establishing a national definition of hard-to-serve groups indicated that he was not opposed to adding model adjustments to compensate SDAs for the lower expected success from serving individuals with barriers, but he objected to the Department of Labor using the designation hard-to-serve for selected target groups. While these concerns were expressed by a minority of the respondents to the task force, there are undoubtedly others in the employment and training community with

EXHIBIT 4

TARGET POINT ASSESSMENT

Applicant Name	Social Security Number		
SOCIAL CHARACTERISTICS & EMPLOYMENT BARRIERS	ECONOMIC STATUS		
	.6 Receiving Public Assistance	.3 Other Economic Disadvantaged	.1 Non Econonmic Disadvantaged
HEADS OF HOUSEHOLDS	6	6	6
TEENAGE PARENT	6	6	6
HANDICAPPED/DISABLED	5	5	5
MINORITY	4	4	4
WOMEN	4	4	4
OFFENDER	3	3	3
SUBSTANCE ABUSER	3	3	3
SCHOOL DROP-OUT	3	3	3
LONG TERM UNEMPLOYED	3	3	3
LIMITED ENGLISH	3	3	3
UNDER 22 YEARS OF AGE	2	2	2
55 YEARS OR OLDER	2	2	2
DISPLACED HOMEMAKER	2	2	2
VETERAN	2	2	2
22 TO 54 YEARS OF AGE	1	1	1
SUB-TOTALS			
TOTALS	X . 6=	X . 3=	X . 1=

PREPARED BY: _____ DATE: _____

strong feelings on this issue. It should be kept in mind that if methods are not implemented to make adjustments for labor market deficiencies, SDAs who wish to serve the hard-to-serve will not be properly assessed when their performance is computed.

The mail survey conducted in New England yielded encouraging findings on measuring some of the most mentioned deficiencies. Most of the SDAs that responded collect information on the math and reading skill levels of participants. However, the SDAs use a number of different tests, and there is a wide range of responses regarding what grade level makes an individual hard-to-serve. Some respondents to the task force consider anyone with less than a twelfth grade level of reading and math skills deficient, while others believe that fourth grade is an appropriate cutoff.

The New England survey also found that SDAs generally tracked work histories, but none of the SDAs tested for work attitudes. Thus, it probably is not difficult to add measures of work history deficiencies to the adjustment models.

IV- Policies to Encourage Services to Hard-to-Serve Individuals

In this section we present policy options that can be considered to encourage services to hard-to-serve individuals. Some of these options must be actively considered by States in developing their annual plans. For example, States must decide how to allocate their six-percent funds. Other options require special consideration and may require additional data collection and analysis. An example of this type of policy is the

modification of the national adjustment models. These latter changes can be done at either the national or State level.

In assessing various options to encourage services to hard-to-serve individuals, it is important to recognize that policies that encourage serving the hard-to-serve may conflict with some of the other goals of JTPA. For example, in States that establish fixed amounts for the uses of six-percent funds (rewards for superior performance, incentive funds for serving the hard-to-serve, and technical assistance), policies that allocate a greater share of the six-percent funds to serving hard-to-serve individuals will diminish the funds available for rewarding superior performance and technical assistance. Not all policies that encourage services to the hard-to-serve will require compromises with other program goals, but when they do it is important to be aware of the tradeoffs involved.

In addition to affecting incentives for high performance, we are also concerned with the extra burden that may be placed on SDAs and providers by some policies and possible interference with State and local policy discretion. For example, adding additional factors to the adjustment models may require additional data collection. On the other hand, we have noted that many SDAs already collect information on work histories and basic skills, two of the most important deficiencies discussed. As we discuss the policy options available, we will note the major conflicts that may arise.

The policies discussed below have been grouped in two categories: (1) policies for reducing disincentives to serve the hard-to-serve, and (2) policies for providing incentives to serve this population.

A. Policies to Reduce Disincentives to Serve the Hard-to-Serve

As discussed above, certain aspects of the JTPA performance standards system may create disincentives for SDAs and their service providers to enroll hard-to-serve individuals. The options discussed below may reduce or eliminate such disincentives.

1. Adding factors to the models for deficiencies and barriers. Virtually everyone consulted in the course of this study stated that demographic characteristics do not adequately measure how hard-to-serve an individual is. There was also a general consensus that the key deficiencies are a lack of reading and math skills and little or no work experience. Modifying the adjustment models to include measures of these deficiencies is feasible at the national level, and individual States could also undertake modeling efforts. The Department of Labor has proposed adding reading level data and information on minimal work history to the JASR.

Adding measures of lack of work experience should be relatively easy since the information can be obtained at application, and many SDAs already collect such data. Measures of prior work experience can be (and frequently are) collected for JTPA enrollees. At the national level, the Job Training Quarterly Survey (JTQS) contains some information on prior work experience, and analyses could be conducted to determine how alternative measures are related to labor market experiences after participation. Although the data from the Continuous Longitudinal Manpower Survey (CLMS) that was used to evaluate CETA programs are dated, the CLMS included data from social security records that indicates years in which participants had positive covered earnings. The Department of Labor could conduct exploratory

research on these data sets to identify promising measures and develop estimates of the magnitudes of the weights.

States should also consider conducting similar exploratory research. In the survey of New England SDAs conducted for the Hard-to-Serve Task Force, all responding SDAs indicated that they already collect enough information on prior work history to ascertain if participants had little or no prior work experience. Another potential source of prior work history data is unemployment insurance records. States vary significantly in how accessible such data are and in how long the data are retained, but some States could make use of such data.

Analyses are needed to determine the best "lack of work experience" deficiency measure. Most of the individuals consulted believe that an appropriate measure would certainly cover more than 15 weeks of unemployment. Some individuals felt that this measure should cover only individuals who have never had a job or have not worked in at least five years. This issue can only be resolved by considering and analyzing appropriate data. The Department of Labor has proposed to add a measure of minimal work history to the JASR in PY 1988. The Department of Labor has defined a person with minimal work history as "an adult or youth who did not work for the same employer for longer than three consecutive months in the five years prior to JTPA eligibility determination."

Long-term AFDC recipients are also often considered hard-to-serve. The Department of Labor has defined a long-term AFDC recipient as "an adult or youth welfare recipient who had received or whose family had received cash payments under AFDC for 24 or more of the 30 months prior to JTPA eligibility determination."

Adding factors to correct for educational deficiencies is somewhat complicated for several reasons. First, educational deficiency data are not collected by all SDAs, and it may not be collected for all participants in SDAs that do collect such data. Second, there are a large number of tests available, and it may be difficult to determine which ones are appropriate. Third, there is a wide range of opinion as to what levels of educational deficiency constitute a serious deficit and whether "grade level" references are appropriate. In the Hard-to-Serve Task Force's effort, the level of minimum basic skills required to not be considered hard-to-serve ranged from a third grade level to a twelfth grade level. Finally, some testing instruments require specially trained administrators and may take a long time to give and score.

While all of these concerns are valid, none of them are serious enough to rule out exploration of this area. Requiring testing of all or many JTPA participants would add some burden on SDAs and providers that do not already test participants as part of the assessment process, so consideration should be given to selecting instruments that minimize this burden. The Job Corps includes testing in its performance standards system, so it is certainly feasible. If the reporting element were set as the percentage of participants below a certain grade level equivalent (as has been proposed), SDAs would not have to administer tests to participants who clearly are above that level. It is also possible to permit use of several tests that present scores in a common metric, such as grade level equivalent; in that way SDAs would maintain flexibility in deciding which tests to use and still be held harmless for serving individuals with educational deficiencies.

The Department of Labor recognizes the concern in the employment and training community about the difficulties of serving people with educational deficiencies under the current performance standards system. States should also consider negotiating adjustment procedures with their SDAs. In States where SDAs collect information on reading and math skills as part of the assessment process and report the information to the State, the Department of Labor's 1987 TAG suggests how States could develop adjustment weights to the models by analyzing the experiences of participants with different levels of reading and math skills.

Exhibit 3 listed a number of other deficiencies identified by the Hard-to-Serve Task Force. Some of these deficiencies, such as limited English, are likely to be relatively concentrated in some States and SDAs. In these instances, the affected SDAs should negotiate with the State to develop an appropriate adjustment. Many of the factors identified by the Task Force are probably too difficult to measure and include in the adjustment models. Problems such as bad attitudes, lack of social skills, and poor appearance are deficiencies, but they may not be as feasible to address at this time.

The Task Force also identified lack of transportation and day care as common barriers that make individuals hard-to-serve. These particular barriers are more likely to affect cost than outcomes, but they could also affect outcomes. Consideration should be given to collecting information on the proportion of clients with such barriers and including these factors in the cost and outcome adjustment models. The major argument against such a policy is that one of the goals of JTPA is to direct more of the funds into training, but the overall cost limitations on nontraining costs may serve as

an adequate safeguard. The statute also permits SDAs to apply for waivers for increased costs of supportive services. These procedures have not been used extensively, but States and SDAs should consider making additional use of this provision.

2. Adding additional target groups to the adjustment models. It is interesting to note that many of the responses received by the Hard-to-Serve Task Force indicated target groups rather than just deficiencies and barriers that were requested. Some of the potential target groups identified may not be served in sufficient numbers to be added to the adjustment models. The Region V modeling effort is analyzing the use of a number of additional target group variables that are available in the States' management information systems. Illinois has found that offenders, teenage parents, rural clients, and displaced homemakers are groups with statistically significant weights in their models. Other States should consider conducting similar analyses. However, it should be kept in mind that many people believe that identifying the hard-to-serve on the basis of demographic characteristics is not as useful as identifying the underlying deficiencies and barriers.

3. Adding adjustments for activities. Activity variables can be added to the regression adjustment models as a method of encouraging services to individuals with labor market deficiencies.[13] The primary argument for including activity variables in the models is that individuals in need of basic skills training and long-term training face greater barriers to finding jobs, especially well-paying jobs, and the more

intensive training for such individuals is likely to cost more. Because the models do not contain adequate measures of these deficiencies, the models do not properly adjust the standards to reflect the difficulties of participants enrolled in such activities. The most common argument against including activity variables in the models is that the decision on what activity a person receives is a management decision of the SDA, and the models are not intended to hold SDAs harmless from their management decisions.

Both the arguments in favor of including activity variables and those against it have some merit. Because measures of basic skills and work history deficiencies are not included in the models, the current models are likely to penalize SDAs who serve such people; adding activity variables will help to overcome this problem. On the other hand, SDAs would receive the benefit of a lower standard for all individuals in these activities, regardless of whether or not they have deficiencies.

Until measures of deficiencies are included in the models, States should give serious consideration to including activity variables that reflect services to individuals with deficiencies. Before adding activity variables, States should make sure that consistent definitions of the activities are developed. The Department of Labor's TAG provides guidance on how activity variables can be added to the models.

4. Reward structure for exceeding standards. States have a great deal of latitude in how they reward SDAs for the extent that standards are exceeded. When the extent to which standards are exceeded plays a major role in determining the size of awards, performance is emphasized relative

to encouraging services to the hard-to-serve. If SDAs receive the same amount of extra funding for each percentage point they exceed the standards, they have a strong incentive to beat the standards by as much as possible. If, on the other hand, the standard is capped or the extra rewards are at a reduced rate, they do not have as strong a financial incentive to get the entered employment rate and wage rate at placement to the highest levels. With less financial pressure, the SDAs would be able to concentrate more on the hard-to-serve. Some States, such as Texas, already reward incremental improvements above the standard at a reduced rate. The Department of Labor has proposed, as part of its proactive policy guidance, to encourage the use of caps in performance incentive policies.

Another way of using the reward structure to encourage services to the hard-to-serve is to give little or no weight to performance on the cost measure in determining six-percent rewards. States have great flexibility in determining the relative importance of standards, so by minimizing the importance of the cost standard SDAs can concentrate more on quality of services rather than costs.

5. The use of Governor's adjustments. Governors are permitted to lower the minimum acceptable performance on standards for a variety of reasons including encouraging services to hard-to-serve individuals. These adjustments may be made in addition to or instead of using the models. If such adjustments are made, SDAs are less likely to fail to meet the standards if they serve individuals who are less likely to gain employment. Note that in some circumstances adding tolerance levels to determine if a standard has been met only avoids negative incentives for SDAs whose

performance is near the sanctioning level. If performance bonuses are based on the degree to which standards are exceeded, SDAs that are competing for the awards will not be affected in a major way.

6. Encouraging services through performance standards exemptions. Many State and SDA staff have indicated that they have been discouraged from developing special programs for individuals with major deficiencies and from trying innovative untested activities because of the Department of Labor's former policy that required such programs to be included in the performance standards calculations. In PY 1988 the Department of Labor will allow States to determine whether or not the standards apply to individuals served and funds expended under incentive awards. (The characteristics of individuals served and the funds expended must still be reported on the JASR.) States may wish to consider making use of this exemption to encourage services to individuals that are especially hard-to-serve or in instances where innovative, untested training approaches are used.

7. Regional or State modeling. Regions or States can develop their own adjustment models to improve targeting of the hard-to-serve as well as for other purposes. The ongoing Region V effort discussed above has enabled the States in the region to obtain models with coefficients specific to the region as a whole and for individual States. For demographic factors, there may be substantial differences in discrimination and labor market opportunities across the country, and regional modeling can be used to develop more accurate factor weights. For example, in the case of the

entered employment rate for adults, the national model has a weight of -.081 for blacks, and the Illinois model has a weight of -.090.[14] As noted previously, the Illinois effort led to the inclusion of several additional factors in the models. The additional terminee factors include displaced homemaker status, offender status, and teenage parent status. The Region V modeling effort made use of individual participant level data, so it was also possible to test the importance of adding "interaction terms" to the model. The Illinois pilot model does not include interaction terms, but other State or regional efforts may find them important.

State or regional modeling can also be used to obtain more accurate adjustments for factors not included in the national models. The regression analysis determines the appropriate weight when other factors are held constant, and without developing a model, States must estimate the appropriate weight for adjustment factors that are added.

B. Policies to Add Incentives to Serve the Hard-to-Serve

The policies described below can be used to provide incentives for serving the hard-to-serve. They can be used in combination with one or more of the policies described above.

1. The use of six-percent funds. Six-percent funds may be used for performance awards, technical assistance, and incentive payments for serving hard-to-serve individuals. States that use a greater share of these funds to reward performance and less to encourage services to hard-to-serve individuals provide a relatively stronger incentive for emphasizing

performance over services to the hard-to-serve if other things are equal. To emphasize the use of six-percent funds for the hard-to-serve, States should clearly specify what awards will be made for various levels of services to the targeted hard-to-serve participants.

2. Adding standards for the hard-to-serve. A clear way for States to encourage opportunities for the hard-to-serve is to include performance standards for hard-to-serve groups. The statute specifically states that six-percent funds may be used to provide incentives for serving hard-to-serve individuals, and many States have implemented such standards. As was noted above, the strength of such incentives depends partly on the share of six-percent funds that are used for such incentive payments.

Several States have developed standards that tie the hard-to-serve incentive funds to outcomes for the designated groups. Such an approach encourages performance as well as the provision of services to the designated groups. The procedures used by Massachusetts and Wisconsin are reviewed below. While the applications in these two States relate more to groups that might be designated difficult-to-place rather than hard-to-serve, the principles can be used for other groups.

Massachusetts has issued two hard-to-serve standards for incentive awards in PY 1987. The awards are made for serving at least specified percentages of adult dropouts and minorities and achieving acceptable levels of performance for these groups in their placement rates and placement wages. SDAs receive 2 points if dropouts comprise 30 to 35 percent of all out-of-school participants, 4 points if they comprise 35 to 40 percent, and 10 points if they comprise over 40 percent of all out-of-school

participants. SDAs receive 1 point if the placement rate for dropouts is within the confidence interval (tolerance range) of the standard for all participants, 3 points if the placement rate for dropouts exceeds the confidence interval but is less than 110 percent of the standard, and 5 points if the placement rate for dropouts is equal to or exceeds 110 percent of the standard. Points for the placement wage for dropouts are awarded in the same manner as for the placement rate. To receive an incentive award, an SDA must score at least one point in each of the three categories. The points are then rescaled as "shares," and the incentive grants are determined by dividing the total funds set aside by the total number of shares earned and paying each SDA an award for each share earned. The incentive awards for serving minorities are determined in a similar manner, except that the service levels required are adjusted for the proportion of minorities residing in the SDA. Massachusetts has set aside $500,000 for hard-to-serve grants and $700,000 for performance grants.

Wisconsin has used several different performance standards systems in recent years, and their approach in PY 1985 was very strongly tied to serving six target groups (women, minorities, older individuals, handicapped, dropouts, and AFDC recipients). In that year, SDAs had to enroll and place all the targeted populations at a minimum of 80 percent of their estimated incidence in the SDA's eligible population to receive any six-percent funds. This requirement is the strongest targeting requirement that we are aware of. Wisconsin not only required minimum service levels, but also awarded part of the six-percent funds to SDAs enrolling and placing all six target groups at their incidence in the SDA population. In PY 1986, Wisconsin adopted a policy that placed less emphasis on the hard-to-serve:

SDAs that failed to serve at least 80 percent of the proportional share for the six target groups were to receive only one-third of the maximum performance bonus if they otherwise qualified for such a bonus. The Department of Labor cautioned Wisconsin that their PY 1987 system might overly diminish the importance of the Secretary's standards because SDAs that exceeded the Secretary's standards received limited awards; Wisconsin then dropped the requirement that the six target groups be adequately served to receive performance bonuses.

3. Giving extra credit for the hard-to-serve. Another method of encouraging SDAs to serve hard-to-serve individuals is to award extra credit for positive outcomes for members of selected groups. For example, in computing performance on the adult entered employment rate measure, an SDA would receive credit for 1.5 or 2.0 people placed if the person is a member of a designated hard-to-serve group.

To illustrate how such a system would work, consider the following example. Suppose that a State has agreed to grant double placement credit for long-term welfare recipients. Further suppose that the chart below gives the information on the participants and their outcomes:

	Long-Term Welfare	Other Terminees	Total
Number terminated	200	800	1000
Entered Employment	60	600	660

In this example, the entered employment rate without an extra credit system would be 66 percent ([60 + 600]/1000). If the State granted double

credit for placing long-term welfare recipients, the adjusted entered employment rate would be 72 percent ([120 + 600]/1000). The SDA would have to be sure to maintain its unadjusted data for reporting on the JASR if such a system is used, but it could incorporate such a system for making incentive awards. An important feature of the extra credit approach is that it provides the SDAs with strong incentives to make sure that the designated participants are placed. The disadvantage is that States and SDAs would have to maintain two sets of outcome records-- actual accomplishments and adjusted data for incentive award calculations.

Appendix 2 shows how an extra credit system can be developed that provides equivalent adjustments to the regression adjustment models, but we believe that such a system is too complex to be feasible. A more practical use of the extra credit concept is as a supplement to the adjustment models, as was described above. Under such a system, SDAs would have their performance increased for positive outcomes for members of the selected group. One advantage of such a system is that it encourages SDAs to serve the targeted groups and it gives them a higher performance score when the services are successful. Friedlander and Long (1987) note that an extra credit system can also be used as a means of relating performance standards to net impact.

4. Modifying factor weights for hard-to-serve groups. The weights in the Department of Labor's regression models are statistically derived regression coefficients. If the models are properly specified, these weights lead to adjustments that hold SDAs harmless for serving groups included in the model. However, States may wish to change the weights for

two reasons. First, they may believe that the nationally derived weights are inappropriate for their State. Second, they may wish to go beyond holding SDAs harmless for serving particular groups and provide an incentive. Both rationales are considered below.

Some of the weights that have emerged from the regression analyses have simply not conformed with common sense. The Department of Labor's TAG notes that the weights derived for heads of households and single parents did not have the expected sign, and these factors were dropped from the models. In other cases the estimated weights may have the right sign but still be incorrect. The weights may be incorrect because of specification errors in the models (e.g., missing variables or measurement errors) or because of regional differences in the relationships (which is technically another type of missing variable problem). States may seek to modify the weights of one or more factors to conform better with their view of what the weight should be. For example, Massachusetts reestimated the average wage at placement model and the adult welfare entered employment rate model to have the same weight for all minority groups rather than separate weights for blacks, Asians, and Hispanics because they believed that a single weight for all minority groups is more appropriate for their SDAs. States that believe that the model-derived weights are inaccurate for their particular State should consider some of these alternatives. However, it should be kept in mind that if States make changes in the weights, their system is subject to Department of Labor scrutiny if challenged.

Changes in the weights might also be considered for policy purposes. As noted above, a State may wish to go beyond holding SDAs harmless for serving selected groups. Modifying the weights is one method to grant such

incentives, and it is likely to be more effective than reducing the standard through a Governor's adjustment. For example, Massachusetts changed the length of stay weight in the cost model to encourage the use of intensive or long-term services. As was noted earlier, lowering the standard is likely to have a significant impact on SDAs in danger of being sanctioned, but changing the weight encourages services to the group of interest for all SDAs.

The main arguments against permitting policy-based adjustments to the model weights are that the weights would no longer be objectively determined, and permitting variations for policy purposes could lead to abuse in some instances. By using the regression modeling approach, the Department of Labor has attempted to maintain neutrality on who is served in the programs. On the other hand, provisions in the statute encourage services for those most in need and permit Governors to provide monetary incentives for serving hard-to-serve groups. It can be argued that permitting Governors to adjust the weights is one such method of encouraging services to the hard-to-serve.

5. Providing technical assistance for encouraging services to the hard-to-serve. One use of a State's six-percent funds is to provide technical assistance to SDAs, including preventative technical assistance for program improvement. Technical assistance can be used to explain which individuals the State considers hard-to-serve and the policies the State has implemented to encourage the provision of services to such individuals. Whenever a State adopts new priorities or modifies its performance standards system substantially, technical assistance is important. If a State makes

use of a procedure that has not been widely used previously or is not described in the TAG, technical assistance is especially important.

V- Summary and Conclusions

Like many Federal programs, JTPA has many goals, and they are sometimes in conflict. We have considered how interested parties at the Federal, State, and SDA levels can deal with the somewhat competing goals of achieving high performance levels and serving the hard-to-serve. The statute offers a great deal of flexibility to all levels in the system, and we believe that promoting high performance is not inconsistent with promoting services to the hard-to-serve.

All levels of JTPA play a role in determining who the system serves. The Federal government has developed adjustment models that hold SDAs harmless for serving individuals with certain characteristics. States play a major role by adding additional standards, adopting particular performance standards systems, and granting incentive awards for serving particular hard-to-serve groups. Ultimately, it is the SDAs, the PICs, and the service providers that respond to these incentives and their own policies and determine who is actually served in the program. Thus, all levels play important roles in determining the extent that the hard-to-serve are provided training opportunities in JTPA.

With so many interested parties, it is not surprising that there is not unanimity in defining who the hard-to-serve are. Thus far, JTPA has made use primarily of demographic characteristics to adjust expected performance. There has been increasing interest in defining hard-to-serve status in terms of deficiencies and barriers. The Department of Labor has been seriously exploring methods of incorporating deficiency factors into

the adjustment models, particularly for basic skills and minimal work history deficiencies, as well as for long-term welfare recipients. Some States have also sought to encourage services to individuals with deficiencies by including adjustments for activities in their models. The great diversity in approaches among the States is encouraging, and points to the importance of defining hard-to-serve status.

We have also identified a number of methods that can be used to encourage the provision of services to the hard-to-serve. Some choices cannot be avoided; for example, States must decide whether to use the national standards or the optional adjustment models. Other methods require more developmental work. Additional standards can be developed to encourage services to certain types of individuals, and performance standards can be integrated with level-of-service standards. We have also suggested some more innovative methods for consideration. The use of policy adjustments for factor weights in the models and extra credit for hard-to-serve individuals offer new options. We hope that this report has stimulated interested policy officials at all levels to consider and discuss the methods proposed here.

The themes presented above are quite straightforward. First, the actors in the JTPA system need to take stock of which groups in the eligible population they wish to give priority. We have distinguished the hard-to-serve from broader groups that are difficult-to-place. Policy officials at the Federal, State, and SDA levels need to continue making progress toward defining the hard-to-serve in terms of key deficiencies such as a lack of basic skills and minimal work experience. Second, decisions must be made on how to structure the performance standards system so that at a minimum it

holds SDAs harmless for serving such individuals.

We have presented a number of options for consideration: adding new factors for hard-to-serve status to the model, modifying weights in the models, providing extra credit for designated groups, and exempting innovative projects for the hard-to-serve from the standards are a few of the methods suggested. By considering these innovative practices, the JTPA system can continue to stress the importance of performance but also take steps to accommodate the extra resources required for serving clients who are hard-to-serve.

Notes

1. Sandell and Rupp (1987) state that creaming may be defined as discrimination in program enrollment against individuals with particular characteristics that characterize them as being most in need. They then note that the most common criteria used for defining most in need are (1) demographic characteristics such as race and sex, (2) preprogram family income, and (3) employability of the applicants.

2. The issue of making tradeoffs between the goals of equality and efficiency is discussed in detail by Okun (1968). Okun argues that while efficiency is important, society is also concerned with equality, and that trading off some economic efficiency to achieve better equity is often worthwhile, so long as the tradeoff is recognized.

3. Procedures for adjusting performance standards must be: responsive to the intent of the Act; consistently applied among SDAs; objective and equitable throughout the State; and in conformance with widely accepted statistical criteria. Source data must be of public use quality and available upon request. Results must be documented clearly and reproducible. Adjustment factors must be limited to: economic factors, labor market conditions, characteristics of the population to be served, geographic factors, and types of services to be provided.

4. The five criteria for being economically disadvantaged as specified in Section 4 of JTPA are: (A) receives, or is a member of a family which receives, cash welfare payments under a Federal, State, or local welfare program; (B) has, or is a member of a family which has, received a total family income for the six-month period prior to application for the program involved (exclusive of unemployment compensation, child support payments, and welfare payments) which, in relation to family size, was not in excess of the higher of (i) the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget, or (ii) 70 percent of the lower living standard income level; (C) is receiving food stamps pursuant to the Food Stamp Act of 1977; (D) is a foster child on behalf of whom State or local government payments are made; or (E) in cases permitted by regulations of the Secretary, is an adult handicapped individual whose own income meets the requirements of clause (A) or (B), but who is a member of a family whose income does not meet such requirements.

5. Examples of individuals who have barriers to employment are provided in Section 203 of the statute: individuals with limited English-language proficiency, displaced homemakers, school dropouts, teenaged parents, handicapped individuals, older workers, veterans, offenders, alcoholics, and addicts.

6. Sandell and Rupp point out that most of the people who are technically eligible for JTPA are very unlikely to be interested in the program. For example, of the 39 million people eligible for the program, about 7 million are under age 16 or over age 64 and are unlikely to be interested in the program. Of the 31.7 million eligible people between the ages of 16 and 64, Rupp and Sandell estimate that 13.0 million are employed and another 14.8 million are not in the labor force. Over two-thirds of the JTPA participants are drawn from the 3.9 million eligible individuals who are unemployed.

7. The requirement that 40 percent of the funds be spent on youth is a national figure. For each SDA the percentage is to be adjusted depending on the ratio of disadvantaged youth to adults in the SDA.

8. For elaboration on this point see Curnan and Fiala (1986).

9. The JTPA experiment being funded by the Employment and Training Administration will be carried out in approximately 15 to 20 sites. Because of the small number of sites and the fact that the sites were not selected randomly, the findings may not be representative of the JTPA system as a whole.

10. A related technical issue is that when factors are measured with error, the estimated weights are often biased. See Kmenta (1971) for a discussion of the effects of measurement errors in regression analysis.

11. Interaction terms are used if the effects of two characteristics are not additive. To illustrate the concept, suppose the model included a factor for race (white and nonwhite) and a factor for sex (male and female). If these were the only factors in the model, the regression equation would include two factors and would be of the following form:

$Y = \beta_N N + \beta_F F$, where N is the percent nonwhite and F is the percent female. It is possible that the weights should be different for each group. In that case, the equation would include a third variable for one race-sex group, for example, nonwhite females. The model would then be:

$Y = \beta_N N + \beta_F F + \beta_{NF} NF$, where NF is the percent nonwhite females.

12. Even if all deficiencies and barriers could be identified and included in the regression adjustment models, one would still expect to find negative weights because of labor market discrimination faced by members of these groups.

13. Other arguments can also be made for including activity variables in the models. Trott et al (1987) note that the selection of activities is not purely a management decision in the short run; there are a limited number of service providers that SDAs can use in the short run, so it might be unfair to penalize them for using the only providers available. They also note that by running regression models without variables that affect the performance measures, the other weights are biased.

14. It must be recognized that regional modeling can also lead to smaller weights for target groups. For example, the Illinois model for the adult entered employment rate has a weight of -.000609 for females, compared to a weight of -.02 in the national model.

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Appendix 1

Illinois Pilot Performance Standards Adjustment Models

Region V Performance Standards Worksheet			A. Service Delivery Area's Name	B. SDA Number
C. Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____	E. Performance Measure Cost Per Positive Termination (Youth)	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. REGIONAL AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
High School Grad or GED		29.82		3.1873	
Act 1 - CRT/OCC Part		19.17		11.5757	
Act 6 - Youth Serv Part		24.76		-2.8407	
Length of Prog Stay (Weeks)		21.95		11.1089	
Awage 85 - Avg Wage in Area PY'85		18.29		90.4199	
		L. TOTAL			
		M. ILLINOIS DEPARTURE POINT			$2,450.70
		N. Model-Adjusted Performance Level (L + M)			

O. Performance Tolerance Range Bands ± $300 Performance Tolerance Range: Lower Band _____ Upper Band _____

	P. Planned/Actual Performance Outcome	

Region V Performance Standards Worksheet			A. Service Delivery Area's Name	B. SDA Number
C Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____	E. Performance Measure Positive Termination Rate (Youth)	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. ILLINOIS AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
Black		49.11		-.02783014	
Post HS		6.67		.03362436	
Dropout		24.07		-.05659844	
Welfare		37.54		-.07326586	
Teen Parent		6.31		-.01383108	
Rural		20.66		-.05457839	
Inter 40 - Unemp 18-21		36.88		-.007192117	
Act 1 - CRT/OCC Part		21.14		-.04654758	
Act 2 - CRT/Other Part		10.53		-.005091176	
Act 6 - Ex Youth Part		34.25		.06591378	
Long 26 - Rec CRT > 26 weeks		7.40		-.01259350	
MGR - Employment Growth Rate		9.44		.44431175	
		L. TOTAL			
		M. ILLINOIS DEPARTURE POINT			72.92
		N. Model-Adjusted Performance Level (L + M)			

O. Performance Tolerance Range Bands ± 2.23% pts. Performance Tolerance Range: Lower Band _____ Upper Band _____

	P. Planned/Actual Performance Outcome	

Region V Performance Standards Worksheet		A. Service Delivery Area's Name	B. SDA Number
C. Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____	E. Performance Measure Entered Employment Rate (Youth)

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. ILLINOIS AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
Age 14-15		8.35		-.29476627	
Age 18-21		61.37		.04494737	
Black		49.11		-.04620763	
Student		41.61		-.05327057	
Dropout		24.07		-.12755792	
Welfare		37.54		-.06932456	
Rural - Non Metro Residence		20.66		-.14247826	
Teen Parent		6.31		-.06452865	
Handicapped		14.29		-.15095198	
Act 1 - CRT/OCC Part		21.14		-.06283858	
Act 2 - CRT/Other Part		10.53		-.18473391	
Act 4 - Work Exp		6.14		-.31200862	
Act 5 - Emply Services		44.03		.02172690	
Act 6 - Ex Youth Part		34.25		-.22822208	
Long 26 - Rec CRT > 26 weeks		7.40		-.09922325	
EMGR - Employment Growth Rate		9.44		.16645507	
		L. TOTAL			
		M. ILLINOIS DEPARTURE POINT			28.52
		N. Model-Adjusted Performance Level (L + M)			

O. Performance Tolerance Range Bands ± 2.76% pts. Performance Tolerance Range: Lower Band _____ Upper Band _____

	P. Planned/Actual Performance Outcome	

Region V Performance Standards Worksheet	A. Service Delivery Area's Name	B. SDA Number
C. Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____
	E. Performance Measure Cost Per Entered Employment (Adult)	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. REGIONAL AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
Black		18.99		15.7253	
Dropout		23.91		25.4670	
Exhausted UC		10.64		32.3339	
Act 1 - CRT/OCC Part		31.65		24.1573	
Inter 12 - Male Welfare		16.03		15.1977	
Unemp 85 - Cty Unemp Rate PY'85		9.3		37.5387	
Awage 85 - Avg Area Wage PY'85		18.29		77.4634	
Employment Growth Rate		8.04		2.1515	

	L. TOTAL	
	M. ILLINOIS DEPARTURE POINT	$3,723.65
	N. Model-Adjusted Performance Level (L + M)	

O. Performance Tolerance Range Bands ± $455 Performance Tolerance Range: Lower Band _____ Upper Band _____

	P. Planned/Actual Performance Outcome	

Region V Performance Standards Worksheet			A. Service Delivery Area's Name	B. SDA Number
C. Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____	E. Performance Measure Average Wage at Placement (Placement)	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. ILLINOIS AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
Female		48.36		-.008611286	
Inter 13 - Black Male		15.00		-.006454484	
Hispanic		12.74		-.002532797	
Handicapped		4.84		-.004449971	
Dropout		23.07		-.003292346	
Post HS		25.07		.004268179	
Welfare		32.84		-.000886104	
UC None		80.16		-.006006708	
Act 1 - CRT/OCC Part		35.32		.002386025	
Act 2 - CRT/Other Part		3.72		-.001048204	
Act 3 - OJT		35.64		.003689562	
Long 26 - Rec CRT > 26 weeks		6.63		.003508746	
Inc Pov		7.40		-.04762767	
Ann Earnings in Whsl/Ret Trade		12.11		.02200934	
Pop Density		.86		.15167458	
		L. TOTAL			
		M. ILLINOIS DEPARTURE POINT			4.72
		N. Model-Adjusted Performance Level (L + M)			

O. Performance Tolerance Range Bands	± $.136	Performance Tolerance Range: Lower Band _____	Upper Band _____
		P. Planned/Actual Performance Outcome	

Region V Performance Standards Worksheet	A. Service Delivery Area's Name	B. SDA Number
C. Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____
	E. Performance Measure Welfare Entered Employment Rate	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. ILLINOIS AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
Age 22-29		51.96		.03231054	
Female		61.04		.001332934	
Black		51.74		-.09399677	
Handicapped		3.92		-.06340624	
Dropout		28.20		-.06495992	
Displaced Homemaker		5.25		-.01367768	
Rural		24.11		-.10826685	
Act 1 - CRT/OCC Part		49.82		-.01308099	
Act 2 - CRT/Other		5.00		-.14093117	
Act 3 - OJT		21.21		.20275285	
Long 26 - Rec CRT > 26 weeks		10.09		-.08185879	
Employment Growth Rate		9.44		.11267559	

	L. TOTAL	
	M. ILLINOIS DEPARTURE POINT	50.7
	N. Model-Adjusted Performance Level (L + M)	

O Performance Tolerance Range Bands ± 4.13% pts. Performance Tolerance Range: Lower Band _____ Upper Band _____

	P. Planned/Actual Performance Outcome	

Region V Performance Standards Worksheet			A. Service Delivery Area's Name	B. SDA Number
C. Performance Period	D. Type of Standard [ ] Plan [ ] Recalculated	DATE Calculated _____	E. Performance Measure Entered Employment Rate (Adult)	

F. LOCAL FACTORS	G. SDA FACTOR VALUES	H. ILLINOIS AVERAGES	I. DIFFERENCE (G MINUS H)	J. WEIGHTS	K. EFFECT OF LOCAL FACTORS ON PERFORMANCE EXPECTATIONS (I TIMES J)
Female		50.0		-.000609424	
Black		35.36		-.09024531	
Handicapped		5.67		-.12961032	
Dropout		24.92		-.05704486	
Post HS		24.20		.01135771	
Welfare Recipient		38.96		-.12043240	
Offender		6.53		-.02269636	
Act 1 - CRT/OCC Part		39.69		-.08778202	
Act 2 - CRT/Other Part		4.68		-.13915331	
Long 26 - Rec CRT > 26 weeks		8.41		-.09619200	
Employment Growth Rate		9.44		.46693783	
Labor Force Part Rate 22-44		82.07		.20613981	
		L. TOTAL			
		M. ILLINOIS DEPARTURE POINT			61.11
		N. Model-Adjusted Performance Level (L + M)			

O. Performance Tolerance Range Bands ± 2.37% pts. Performance Tolerance Range: Lower Band _____ Upper Band _____

	P. Planned/Actual Performance Outcome	

Appendix 2

Extra Credit for Participants with Barriers to Employment

I- Introduction

The primary method currently used to encourage services to hard-to-serve clients in JTPA is the Department of Labor's regression adjustment models. The regression models are used to adjust the levels of minimum required performance on the seven measures established by the Secretary. There are several alternative ways that incentives can be provided to SDAs for serving particular client groups. In this appendix we discuss the use of "extra credit" in computing performance as a means of encouraging services to hard-to-serve groups.

The term extra credit can be used in several ways in a performance standards context, but we will use the term to describe a procedure where SDAs are given a higher score on one or more performance measures for terminees with particular characteristics. For example, in computing performance on the entered employment rate, an SDA could be given credit for 1.5 or 2.0 people entering employment for each member of a particular hard-to-serve group that enters employment rather than receiving credit for one person. Similar adjustments can be made for other outcomes of interest; for example, wages for those entering employment can be increased. We are not considering here the provision of extra six-percent funds for serving members of particular groups.

The extra credit approach can be used instead of the regression adjustments for variables already in the models, for other factors not included in the adjustment models, or in addition to the adjustments made by the models. After discussing the advantages and disadvantages of an extra

credit system, we show how the mechanics of using such a system can operate.

II- Advantages and Disadvantages of an Extra Credit System

The extra credit system offers several potential advantages over the regression adjustment model currently used. First, the extra credit system enables SDAs to raise their performance scores when serving hard-to-serve individuals rather than lower the minimum acceptable performance. We have heard that some individuals in the employment and training community are more concerned about the level of outcomes rather than the level adjusted for the mix of participants, although it is not clear how widespread this phenomenon is. Thus, an SDA might prefer to have its performance adjusted higher than to have its standard lowered because it is serving hard-to-serve clients.

A second advantage of the extra credit approach is that it provides more year-to-year continuity for judging performance and a common basis for comparing SDAs within a State. Under the regression model adjustment system, one cannot judge whether an SDA has improved its performance by looking at its scores in consecutive years because the mix of participants may have changed. Under an extra credit system, assuming that the credit has been awarded appropriately, the performance each year can be compared with performance in previous years. In addition, SDA performance scores can be compared with one another directly; with the regression adjustment model system, SDAs can only be compared by looking at the extent to which each SDA exceeded its standards.

Another advantage of the extra credit system is that the relative incentives for serving various types of individuals are likelier to be understood under an extra credit system than under the regression model adjustment system. For example, the incentives provided by the weights in the

model are more difficult to interpret than getting extra placement credit.

A final advantage of the extra credit method is that it is likely to provide a stronger incentive for SDAs to find jobs for members of the target groups of interest. Under the regression model adjustment system, an SDA has an incentive to enroll individuals in groups with negative weights, but once they are enrolled the SDA gets no more credit for placing such individuals than it does for placing others. In an extra credit system, the SDA has an incentive to give extra effort to finding a person in the extra credit category a job since the SDA gets more credit for placing the hard-to-serve individual.

The extra credit system also has several disadvantages that should be kept in mind. If a State already uses the regression model approach, then using the extra credit approach requires additional computations by the State to remove the factors from the model and provide extra credit instead. Also, using a combination of regression adjustments and extra credit adjustments at the same time is likely to confuse State and SDA officials and make interpretation of SDAs' scores difficult.

III- Developing an Extra Credit Equivalent for Factors in the Model

In this section we show how a factor that is currently included in the regression model can be accounted for by giving extra credit instead. The general procedure can be used for any variable in the model, and we have applied it to percent of terminees on welfare. Extra credit can also be granted for factors not included in the regression model, but an alternative procedure must be used to determine how much extra credit to grant.

To illustrate how to switch from the regression model adjustment to an

equivalent standard using extra credit, we make use of the sample worksheet for the adult entered employment rate standard reproduced in Exhibit 1 of the text. From Line 8 of the worksheet, the weight for percent welfare recipient is -.276. In the worksheet, the hypothetical SDA had a model-adjusted performance standard of 60.1 percent for its adult entered employment rate. If the SDA had 100 percent welfare recipients and no other factors changed, its model-adjusted performance level would be 44.1 percent. (This can be seen by substituting 100 for 42 in row 8 column G and carrying through the arithmetic.) If the SDA had no welfare recipients, its model-adjusted performance level would be 71.7 percent, again assuming no changes in any other factors. The adult entered employment rate standard for the SDA can be viewed as a combination of 44.1 percent for welfare recipients and 71.7 percent for nonwelfare terminees; with 42 percent of the terminees in welfare, the standard can be calculated as:

(.42 x 44.1) + (.58 x 77.1) = 60.1 percent, the same figure as shown on the sample worksheet.

To replace the model-adjustment approach with extra credit for serving welfare recipients, we would proceed in several steps. Since an SDA would get extra credit for placing welfare recipients, the standard to be met should not depend on the number of welfare recipients served. Thus, the entered employment rate standard should be set at 71.7 percent, the level the SDA would have to achieve if it served no welfare clients.

The next step in the process is to determine how much extra credit to give for placing welfare clients. The extra credit should be enough so that an SDA that exactly met the standard before would meet the new standard with the extra credit. For each welfare person who enters employment the SDA

should get credit for the standard for nonwelfare clients, 71.7 percent in this example, divided by the model-derived placement rate for welfare clients, 44.1 percent in this case. Thus, for each welfare client who enters employment, the SDA should get credit for 71.7/44.1 = 1.63 individuals who enter employment.

To illustrate how the extra credit calculations work, we will consider several examples. As a simple case, consider an SDA that served no welfare recipients before. Under the regression-adjustment system its standard would be 71.7 percent, and it would have the same standard using extra credit to reward serving welfare clients.

Next consider the SDA from the sample worksheet. This SDA faced a model-adjusted performance level of 60.1 percent. Assuming it exactly met its standard by having an entered employment rate of 44.1 percent for welfare recipients and 71.7 percent for nonwelfare clients, we can see how the SDA fares under the extra credit system. Under the extra credit system the placement rate for nonwelfare terminees remains the same, but the rate for welfare terminees is multiplied by 1.63. The adjusted entered employment rate for the SDA is now 71.7, the same as its standard.

An interesting feature of the extra credit approach is that an SDA's performance is sensitive to the composition of those placed. In the example just noted, if the SDA had the same overall entered employment rate but the rates for welfare and nonwelfare terminees are varied, the adjusted entered employment rate of the SDA would be affected. In particular, if the rate for welfare terminees increased while the rate for nonwelfare terminees decreased, the SDA would receive a higher score than if the situation were reversed.

IV- Summary and Conclusions

Offering extra credit for performance associated with hard-to-serve groups is a viable method of encouraging the provision of services to individuals with barriers to employment. As we have seen, an extra credit adjustment system can replace the regression model adjustment system for one or more adjustment factors. Using extra credit for some factors and regression adjustments for others might be confusing for some States and SDAs. One very appealing feature of the extra credit approach is that it directly enhances an SDA's performance rather than reducing what is expected of the SDA. Thus, it is a more positive approach than the regression adjustment model.

The examples above all deal with how the extra credit approach can be used to compensate for expected poorer performance for hard-to-serve groups. Extra credit can also be used to add incentives for SDAs to serve members in certain groups. For example, a State could use the regression model to account for the difficulty in placing welfare clients, but it could also provide some extra credit as an added inducement to serve and place welfare clients. Also, for factors that have not formally been modeled, extra credit can be used in lieu of or in addition to a subjective weight to encourage serving particular groups. While lacking the mathematical properties of a model-derived adjustment, such adjustments might help States accomplish their objectives.